

STATEWIDE CAMPAIGN TO SAVE THE FORECLOSURE PREVENTION SERVICES PROGRAM

September 7, 2011

The Honorable Andrew M. Cuomo
Governor of New York State
NYS State Capitol Building
Albany, NY 12224

Re: The New York State Foreclosure Prevention Services Program

Dear Governor Cuomo:

We write to request that you restore \$25 million in funding in the 2012-13 Executive Budget for New York's Foreclosure Prevention Services Program. Since 2008, this Program, administered by NYS Homes and Community Renewal, has stabilized neighborhoods and local economies. Current funding ends December 31, 2011. If not restored, direct services for homeowners facing foreclosure will no longer exist in many parts of the State. Closing down the Program now will lead to more home loss and further economic distress not only for families, but for local communities and the State.

We are just nearing the halfway point of the foreclosure crisis. More New Yorkers are delinquent today than three years ago, usually as a result of job and income loss. Based upon the most recent data reported by the Federal Reserve Bank of New York, 9.4% of residential mortgages are either in or at imminent risk of foreclosure. That translates to over a quarter million (250,873) mortgages.¹ While Long Island and New York City have the highest numbers of delinquencies and foreclosures, *six upstate New York metropolitan areas were listed among the top 25 nationwide*, experiencing the most significant delinquency growth between March 2010 and March 2011 (Kingston, Poughkeepsie-Newburgh-Middletown, Elmira, Binghamton, Glens Falls and Albany-Schenectady-Troy).² The foreclosure crisis continues to be a critical issue *across the entire State of New York*.

The Foreclosure Prevention Services Program funds more than 130 non-profit organizations, employing over 350 counselors and legal services lawyers to provide direct services to homeowners. The judicial foreclosure and loan modification processes are complex and challenging for stressed homeowners to navigate on their own. The availability of advocates to assist homeowners directly translates into more loan modifications and fewer foreclosures, has allowed New York to achieve better results and to be less traumatized by the foreclosure crisis than would have been the case without these interventions.

Investing in foreclosure prevention saves money. Every foreclosure avoided means one more New York family stabilized. Communities are severely impacted by the secondary effects of foreclosed

¹The estimate of the total number of mortgages in foreclosure, or facing imminent foreclosure (more than 60 days delinquent), is derived by applying the NY Federal Reserve Bank's delinquency and foreclosure rates for each county to the 2010 Census Bureau SF-1 tabulation for "owner-occupied households with mortgages" in each county as of April 1, 2010.

² http://www.foreclosure-response.org/maps_and_data/metro_delinquency_data_March2011.html#sub5.

and abandoned homes, including lost tax revenues and declining home values. Violent crime increases about 2.0% in a block if one house goes into foreclosure and by 5.7 % if a second home is foreclosed.³ We estimate that over 35,000 children in New York City alone face the trauma and disruption of foreclosure and potential homelessness.⁴ Finally, the availability of affordable rental housing is negatively impacted when homes are lost to foreclosure, as displaced homeowners strain the rental market and as affordable rental units in foreclosed properties are no longer available.

Three years into this Program, solid networks are in place across the State to ensure that homeowners receive services efficiently and effectively. The housing counseling and legal services programs have developed systems for referring clients and sharing resources. They have worked with their local courts to develop referral systems for services-- services which have proven critical to ensuring that the mandatory settlement conferences are meaningful and result in loan modifications, not home loss. It would be regrettable to discard the investment made in this Program during the last three years by cutting off funding now, especially as we reach the peak of the crisis.

You are likely aware that the U.S. Department of Housing and Urban Development has cut funding for housing counseling agencies as well. The simultaneous loss of state and federal money will severely impact New York and will undermine the requirements under the Real Property Actions and Proceedings Law, Sec. 1304, which requires servicers to send homeowners a pre-foreclosure 90 day notice that includes a list of at least 5 local agencies offering foreclosure-prevention assistance. Many regions will have no local providers of foreclosure prevention assistance, making a mockery of the statutory directive to provide a list of local agencies with the 90 day notice.

This letter comes from the members of the steering committee of a statewide campaign over 80 organizations strong, working to educate our legislative representatives and policy makers about the critical importance of HCR's Foreclosure Prevention Services Program. A more detailed letter will be forthcoming from all supporters of the Program, but we wanted to bring this issue to your attention immediately and in advance of that letter. We recognize that your administration struggles with intense and competing demands in devising a budget accommodating competing programs and finite resources. However, we are fearful that if the Foreclosure Prevention Services Program is eliminated, the economic impact on New York will be catastrophic.

We look forward to working with you and your Administration. For more information, please contact Kirsten Keefe (kkeefe@empirejustice.org).

Sincerely,

Affordable Housing Partnership
Albany County Rural Housing Alliance
Asian Americans for Equality
Belmont Shelter Corporation

³ New York University, *Do Foreclosures Cause Crime?* (June 2011), available at http://furmancenter.org/files/publications/Ellen_Lacoe_Sharygin_ForeclosuresCrime_June27.pdf.

⁴ See New York University, *Foreclosure and Kids: Does Losing Your Home Mean Losing Your School?* (February 2011), available at http://furmancenter.org/files/publications/OSI_Policy_Brief__FINAL.pdf.

Chautauqua Home Rehabilitation and Improvement Corporation
Community Development Corporation of Long Island
Economic Opportunity Council of Suffolk, Inc.
Empire Justice Center
Housing Action Council
Legal Aid Society of Northeastern New York
Legal Assistance of Western New York, Inc.
Legal Services for the Elderly, Disabled or Disadvantaged of Western New York, Inc.
Legal Services NYC
Legal Services NYC - Bronx Corp (dba Bronx Legal Services)
Legal Services NYC - South Brooklyn Legal Services
Legal Services of Mid NY
Legal Services NYC - Queens Legal Services
Long Island Housing Partnership, Inc.
MFY Legal Services, Inc.
Neighborhood Housing Services of Jamaica
Neighborhood Housing Services of New York City, Inc.
Staten Island Legal Services
Troy Rehabilitation & Improvement Program (TRIP), Inc.
UNHS NeighborWorks® HomeOwnership Center, Utica, NY
Westchester Residential Opportunities Incorporated
Western New York Law Center
Volunteer Legal Services Program, Monroe County

cc: Robert Megna, Director, Division of the Budget
Darryl Towns, Commissioner, NYS Homes and Community Renewal
Benjamin Lawsky, Superintendent of The Department of Financial Services
Mylan Denerstein, Counsel to the Governor
Jim Malatras, Deputy Secretary for Policy & Programs
Alphonso David, Deputy Secretary for Civil Rights
Patrick Foye, Deputy Secretary for Economic Development